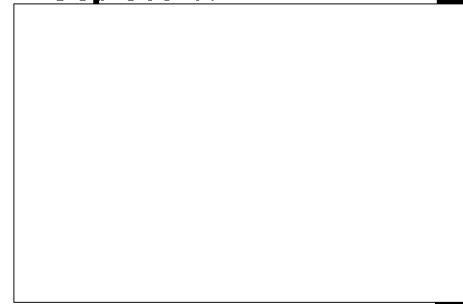




**Director of
Central
Intelligence**



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National Intelligence Daily

***Thursday
12 August 1982***

State Dept. review completed

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CPAS NID 82-188JX

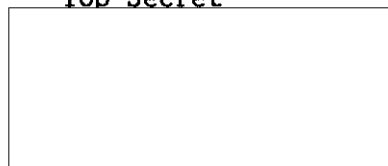
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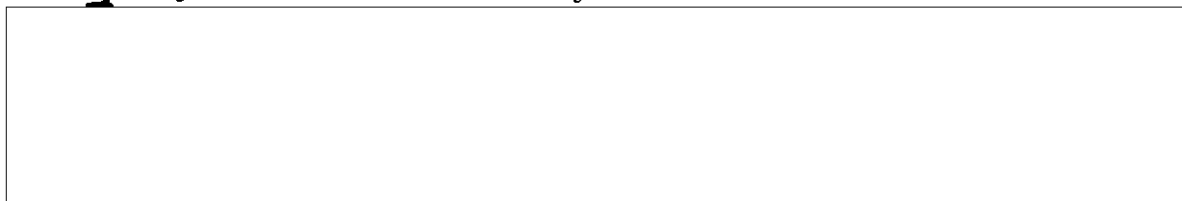


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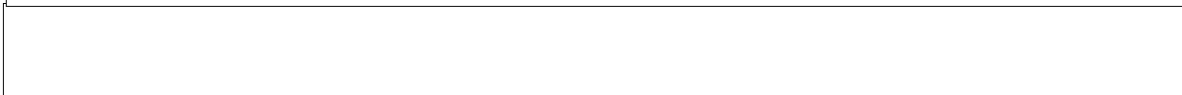
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2 Argentina-UK: *Sanctions Negotiations* 3 25X1



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10 China-US: *Textile Negotiations* 9

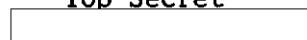


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② ARGENTINA-UK: Sanctions Negotiations

Argentina's failure to lift economic sanctions against the
 1 UK could set the stage for an Argentine debt rescheduling. [redacted]

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2 The US Embassy in Buenos Aires reports Foreign
 Ministry officials are concerned that the British pro-
 posals on the immediate resumption of trade and financial
 3 dealings are politically damaging. The officials are
 arguing for a step-by-step process--lasting perhaps as
 long as a month--with London making the first move.
 Moreover, the British told US officials in London that
 Washington's help in mediating the dispute would not be
 needed for now, although the British may request such
 assistance in the future. [redacted]

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1 Argentine Central Bank officials are in New York
 4 seeking a \$1 billion credit to begin refinancing the
 country's foreign debt. [redacted]

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1 Argentina is \$2.3 billion behind on its debt repay-
 4 ments, and it is unclear if these payments are being
 5 held in escrow accounts. It has to meet \$10 billion in
 debt servicing payments in the second half of 1982 and an
 additional \$5 billion in early 1983. [redacted]

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1 Comment: Buenos Aires probably calculates the
 2 political costs outweigh the benefits of a rapid lifting
 3 of sanctions on British terms. To do so would prompt
 domestic criticism and appear to signal a lack of resolve
 on issues related to the Falkland Islands. Argentina,
 however, will continue to search for a face-saving
 formula that will not weaken the regime's political or
 diplomatic position. [redacted]

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1 Failure to lift the sanctions soon is likely to
 6 scuttle current loan negotiations. Argentina's foreign
 reserves are dwindling, and the government will be hard
 pressed to avoid a foreign financing crisis without the
 new credit. [redacted]

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1 If negotiations for the loan fail, Argentina probably
 would be forced to seek debt rescheduling from its major
 creditors. [redacted]

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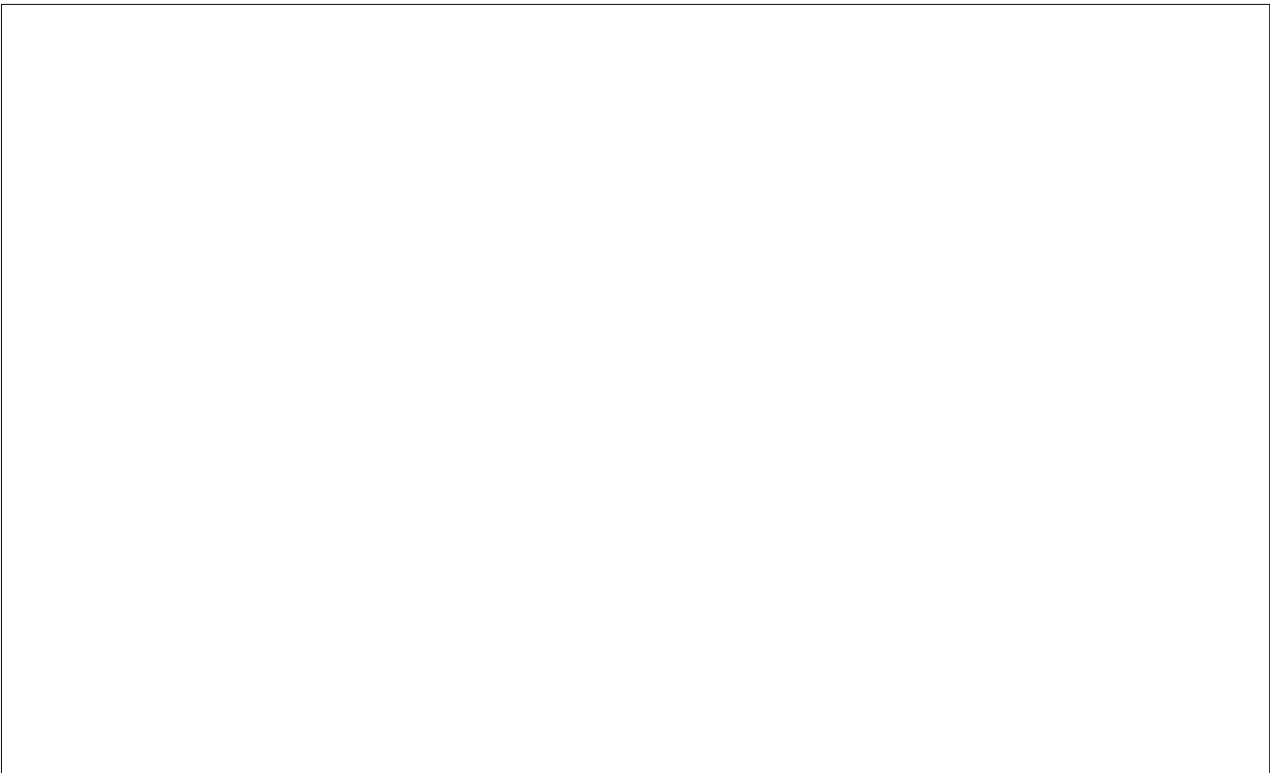
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(10) CHINA-US: Textile Negotiations

Difficult talks on renewing the Sino-US agreement on textile and apparel trade are being held this week in Beijing. The Chinese are objecting to restrictions on their rapidly growing exports of textile products to the US, arguing that the value of US sales of similar goods to China is larger. Chinese officials also have threatened a progressive reduction in purchases of US fibers, particularly cotton, and have implied the textile issue also might affect China's purchases of other goods.

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Comment: The US imported \$680 million in textile products from China in 1981 and is China's third-largest market after Japan and Hong Kong. The Chinese may try to use the negotiations to air grievances over US policy on Taiwan, but they are likely to accept US trade proposals because world demand is softening and restrictions on textile trade are tightening. The Chinese are anxious to maintain active commercial relations with the US despite political tensions.

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